

STATE OF NEVADA
GAMING CONTROL BOARD

CPA MICS COMPLIANCE CHECKLIST

CAGE AND CREDIT

Client _____ **Audit** _____ **Prepared**
Name: _____ **Period:** _____ **By:** _____

NGC Regulation 6.090(9) requires the CPA to use "criteria established by the chairman" in determining whether a Group I or Group II licensee is in compliance with the Minimum Internal Control Standards (MICS). This checklist is to be used by the CPA in determining whether the licensee's cage and credit operations are in compliance with the Cage and Credit Minimum Internal Control Standards.

Indicate licensee personnel contacted:

Date of Inquiry	Person Interviewed	Position

Unless otherwise instructed, examine a completed document for compliance for those Questions referring to records/documentation (denoted by underlined question numbers in bold print), recalculating where appropriate. Indicate (by tickmark) whether the procedures were confirmed via examination/review of documentation, through inquiry of licensee personnel or via observation of procedures. Tickmarks used:

_____ Confirmed via examination/review
_____ Confirmed via inquiry
_____ Confirmed via observation

Note 1: For the purpose of completing this checklist, classify the licensee as one of two categories.

Category A is defined as those licensees whose pit credit issues on NGC-31's for the 12 months ended June 30 exceed the greater of (a) \$400,000 or (b) twenty percent (20%) of gross gaming revenue. All Questions apply to category A. Category B is defined as those licensees issuing lesser amounts. Questions 5, 14, 20, 21, 22 and 44 do not apply to category B.

If a full year's collection figure is not available, the figures that are available should be annualized and evaluated against this requirement.

State licensee's category: _____

The term "licensee" is intended to include race and sports books who cash checks for patrons.

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Note 2: The definitions of categories A and B in Note 1 are intended to apply only to those licensees who have pit credit and/or include credit adjustments on their NGC-1's. If a licensee has no pit credit and makes no adjustments for returned checks or cage credit on their NGC-1's, only Questions 10-13 and 30-38 need be answered.

Note 3: The following Questions address the minimum acceptable credit procedures. The requirements of Regulation 6.120 must also be met if credit instruments are not to be included in gross gaming revenue.

Note 4: For any Board-authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described will be acceptable. Such alternate documentation and/or procedures must be described in detail as to their acceptability.

	Yes	No	W/P Ref.
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Authorization and Extension of Credit

Testing of Question 1 is required.

Scope: Select 10 documents evidencing the authorization and extension of credit.

1. Is at least the following information recorded for patrons who have credit limits or are issued credit greater than \$1,000 (excluding payroll checks, cashier's checks, and travelers checks):

- | | | | |
|---|-------|-------|-------|
| a. Patron's name, current address, and signature? | _____ | _____ | _____ |
| b. Identification verifications? | _____ | _____ | _____ |
| c. Authorized credit limit? | _____ | _____ | _____ |
| d. Documentation of authorization by an individual designated by management to approve credit limits? | _____ | _____ | _____ |
| e. Credit issuances and payments? | _____ | _____ | _____ |

2. Prior to extending credit, is the patron's credit card and/or other documentation examined to determine the following:

- | | | | |
|---|-------|-------|-------|
| a. Properly authorized credit limit? | _____ | _____ | _____ |
| b. Whether remaining credit is sufficient to cover the advance? | _____ | _____ | _____ |

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c. Identity of the patron (except for known patrons)?	_____	_____	_____
3. Are credit extensions over a specified dollar amount approved by personnel designated by management? Indicate the amount(s) and designated personnel.	_____	_____	_____
4. Is proper approval of credit extensions over 10 percent of the previously established limit or \$1,000, whichever is greater, documented?	_____	_____	_____
5. Are the job functions of credit approval (i.e., establishing the patron's credit worthiness) and credit extension (i.e., monitoring patron's credit play activity/availability) segregated for credit extensions to a single patron of \$10,000 or more per day (applies whether extended in the pit or the cage)?	_____	_____	_____
6. If cage credit is extended to a single patron in an amount exceeding \$2,500, are applicable gaming personnel notified on a timely basis of the patrons playing on cage credit, the applicable amount of credit issued, and the available balance?	_____	_____	_____
7. Are cage marker forms at least two parts (the original marker and a payment slip), prenumbered by the printer or concurrently numbered by the computerized system, and utilized in numerical sequence?	_____	_____	_____
8. Does the completed original cage marker contain at least the following information: marker number, player's name and signature, and amount of credit issued (both alpha and numeric)?	_____	_____	_____
9. Does the completed payment slip include the same marker number as the original, date and time of payment, amount of payment, nature of settlement (cash, chips, etc.), and signature of cashier receiving the payment?	_____	_____	_____
If a check guarantee service is <u>not</u> used to guarantee payment of an instrument, the following Question must be answered:			
10. If personal checks, cashier's checks, or payroll checks are cashed (except for instruments cashed which are supported by the documentation in item #1), does the cage cashier:			
a. Examine and record at least one item of patron identification (e.g., driver's license)?	_____	_____	_____

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b. Record a bank check guarantee number or type of credit card and expiration date (not required for third party checks, e.g., payroll checks and cashier's checks)?	_____	_____	_____
c. Make a reasonable effort to verify business authenticity (for payroll checks)?	_____	_____	_____
11. Are counter checks in excess of \$1,000 not issued unless the information required by Question 1 has been documented?	_____	_____	_____
12. When counter checks are issued, is the following included on the check:			
a. The patron's name and signature?	_____	_____	_____
b. The dollar amount of credit extended (both alpha and numeric)?	_____	_____	_____
c. Date of issuance?	_____	_____	_____
d. Signature or initials of the individual approving the credit extension?	_____	_____	_____
13. When travelers checks/guaranteed drafts are presented, does the cashier comply with the examination and documentation procedures as required by the issuer?	_____	_____	_____
Testing of Questions 14-17 is required.			
Scope: Select 2 outstanding credit instruments transferred to branch offices per day for 2 days per year. Test days must be in non-consecutive months.			
14. If outstanding credit instruments are transferred to branch offices, collection agencies, or other collection representatives, are a copy of the credit instrument and a receipt from the collection representative obtained and maintained until such time as the credit instrument is returned or payment is received?	_____	_____	_____
15. Is a detailed listing maintained to document all outstanding credit instruments which have been transferred to other offices as indicated above?	_____	_____	_____
16. Do branch offices maintain a detailed listing of outstanding credit instruments in their custody?	_____	_____	_____

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17. Are the listings in Question 15 prepared or reviewed by an individual independent of credit transactions and collections thereon?	_____	_____	_____

Payment Standards

18. Are all payments received on outstanding credit instruments permanently recorded in the licensee's records and at the branch office (if applicable)?	_____	_____	_____
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Testing of Question 19 is required.

Scope: Select 3 multi-part partial payment receipts per day for 2 days per year. Test days must be in non-consecutive months.

19. When partial payments are made on credit instruments, are they evidenced by a multi-part receipt (or another equivalent document) which contains:			
a. The same receipt number on all copies?	_____	_____	_____
b. Patron's name?	_____	_____	_____
c. Date of payment.?	_____	_____	_____
d. Dollar amount of payment (or remaining balance if a new marker is issued), and nature of settlement (cash, chips, etc.)?	_____	_____	_____
e. Signature or initials of individual receiving payment?	_____	_____	_____
f. Number of marker on which payment is being made?	_____	_____	_____

The following three Questions need not be answered if account balances are routinely confirmed on a random basis by the accounting or internal audit departments, if statements are mailed by someone independent of the credit transactions and collections thereon, and the department receiving payments cannot access cash.

20. Do the routing procedures for payments by mail require that they are received by a department independent of credit instrument custody and collection.? Indicate the department.	_____	_____	_____
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Testing of Question 21 is required.			
Scope: Select 1 mail payment listing per day for 2 days per year. Test days must be in non-consecutive months.			
21. Are such receipts by mail documented on a listing indicating the following:			
a. Customer's name?	_____	_____	_____
b. Amount of payment?	_____	_____	_____
c. Nature of payment (if other than a check)?	_____	_____	_____
d. Date payment received?	_____	_____	_____
22. Is the total amount of the listing of mail receipts reconciled with the total mail receipts recorded on the appropriate accountability by the accounting department on a random basis (for at least 3 days per month)?	_____	_____	_____

Access to Credit Documentation

23. Is access to the credit information restricted to those positions which require access and are so authorized by management?	_____	_____	_____
24. Is access to outstanding credit instruments restricted to persons authorized by management?	_____	_____	_____
25. Is access to written-off credit instruments further restricted to individuals specified by management?	_____	_____	_____

Documentation

26. Are all extensions of cage credit, pit credit transferred to the cage and subsequent payments documented on a credit instrument control form?	_____	_____	_____
27. Are records of all correspondence, transfers to and from outside agencies, and other documents related to issued credit instruments maintained?	_____	_____	_____
28. Are written-off or settled credit instruments authorized in writing?	_____	_____	_____

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29. Are such authorizations made by at least two management officials, other than branch office personnel, who are from departments independent of the credit transaction?	_____	_____	_____

Customer Deposits

Testing of Questions 30-31 is required.

Scope: Select 2 documents evidencing the receipt or disbursement of customer deposits for 2 days per year. Test days must be in non-consecutive months.

30. Is the receipt or withdrawal of a customer deposit evidenced by at least a two-part document with one copy going to the customer and one copy remaining in the cage file?	_____	_____	_____
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31. Does the multi-part receipt contain the following information:			
a. Same receipt number on all copies?	_____	_____	_____
b. Customer's name and signature?	_____	_____	_____
c. Date of receipt and withdrawal?	_____	_____	_____
d. Dollar amount of deposit/withdrawal?	_____	_____	_____
e. Nature of deposit (cash, check, chips)?	_____	_____	_____

Note: Provided ALL of the above information (a through e) is available, the only required information for all copies of the receipt is the receipt number.

32. Are procedures established to:			
a. Maintain a detailed record by patron name and date of all funds on deposit?	_____	_____	_____
b. Maintain a current balance of all customer deposits which are in the cage/vault inventory or accountability?	_____	_____	_____
c. Reconcile this current balance with the deposits and withdrawals at least daily?	_____	_____	_____

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<i>Cage/Vault Accountability</i>			
33. Are all transactions that flow through the casino cage summarized on a cage accountability form on a per shift basis?	_____	_____	_____
34. Are increases and decreases to the cage inventory supported by documentation?	_____	_____	_____
35. Are the cage and vault inventories (including coin rooms/vaults) counted by at least two persons and recorded at the end of each shift during which activity took place (at least once daily)?	_____	_____	_____
36. Are all net changes in outstanding casino accounts receivables, including all returned checks, summarized on a cage accountability form or similar document on a per shift basis?	_____	_____	_____
37. Is such information summarized and posted to the accounting records on at least a monthly basis?	_____	_____	_____

Accounting Standards

Note: The term casino accounts receivable, as used in these Questions, includes any item (including returned checks) deducted on the NGC tax returns.

38. Is the cage accountability reconciled to the general ledger at least monthly?	_____	_____	_____
39. Is a trial balance of casino accounts receivable, including the name of patron and current balance, prepared at least monthly for active, inactive, settled or written-off accounts? (A listing of written-off items, i.e., worthless items at the time of write-off, and another listing of payments on items previously written-off are acceptable.)	_____	_____	_____
40. Is the reclassification of an unpaid balance between the various casino accounts receivable listings not reflected on the NGC tax returns?	_____	_____	_____
41. Is the trial balance of casino accounts receivable reconciled to the general ledger each month?	_____	_____	_____
42. Are all casino accounts receivable listings reconciled to the NGC tax returns each month?	_____	_____	_____

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Note: One method to perform the reconciliation is:			

Change in listings balance (beginning balance less ending balance), (+) marker credits, (-) "net adjustments" (from line 2(d) on the NGC-1 tax return), (=) zero.

- | | | | |
|---|-------|-------|-------|
| 43. Is the reconciliation and any follow-up performed documented and maintained? | _____ | _____ | _____ |
| 44. On a monthly basis, does the licensee calculate the collection percentage, looking for unusual trends, as follows: | | | |
| a. The total of: | | | |
| 1) Collections in areas other than the pit, and | | | |
| 2) +/- Returned checks (if applicable) | | | |
| b. Divided by the sum of: | | | |
| 1) Pit marker credits, and | | | |
| 2) Cage credit issues? | _____ | _____ | _____ |

Auditing Standards

- | | | | |
|---|-------|-------|-------|
| 45. In addition to the procedures required by the Internal Audit Checklist, does an individual independent of the cage, credit, and collection functions perform all of the following at least three times per year: | | | |
| a. Ascertain compliance with credit limits and other established credit issuance procedures? | _____ | _____ | _____ |
| b. Randomly reconcile outstanding balances of both active and inactive accounts on the listing to individual credit records and physical instruments? | _____ | _____ | _____ |
| c. Examine credit records to determine that appropriate collection efforts are being made and payments are being properly recorded? | _____ | _____ | _____ |

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d. For a minimum of five (5) days per month, partial payment receipts are subsequently reconciled to the total payments recorded by the cage for the day and are numerically accounted for?	_____	_____	_____
46. Are all cage and credit accounting/auditing procedures and any follow-up performed documented?	_____	_____	_____
<i>Branch Offices</i>			
47. Do branch offices comply with Questions 14-19 and 27-32?	_____	_____	_____
48. At least monthly does a home office employee independent of branch office operations and the cage department reconcile the listing prepared pursuant to Question 16 to the credit issuances and payments recorded by the cage?	_____	_____	_____